REAL ESTATE

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OUTLOOK

March 1990

A Monthly Forecast for the Economy and Real Estate

FORECAST SUMMARY

- The U.S. Commerce Department revised its estimate of fourth quarter real GNP growth upwards to 0.9 percent at an annual rate, 0.4 percentage points higher than its preliminary estimate. While the revision was small in size, it was very positive because it implies the economy is a good deal healthier than the original report suggested.
- Nonfarm establishment employment shot up by 372,000 in February, according to the February employment report released by the Bureau of Labor Statistics. In addition, the January employment gain was revised upwards to a gain of 332,000. The strength was centered in both manufacturing and construction.
- Starts of privately owned housing units surged to a seasonally adjusted annual rate of 1.625 million units, nearly 30 percent faster than the December 1989 annual rate of 1.254 million units. January 1990 was the warmest January on record, and it followed the fourth coldest December since December 1985. The January 1990 pace was still 3.2 percent below the January 1989 annual rate of 1.678 million units. Starts of single-family units reached 1.137 million units in January 1990. Starts of housing structures with five or more units shot up almost 51 percent to an annual rate of 434 thousand units, while starts of structures with 2-4 units fell 1.8 percent in January to an annual rate of 54 thousand units.
- Sales of existing single-family homes declined to 3.48 million homes in January, 2.2 percent below the December annual rate of 3.56 million units, and 4.9 percent below the January 1989 annual rate of 3.55 million units. The 2.2 percent January decline in existing home sales was likely due to a slight uptick in mortgage interest rates. The NAR housing affordability index fell to 104.2 in January, down from 108.2 in December.

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In the Wink of An Eye:
Economic Commentary

by
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A year ago, none of us imagined the degree to which we would be obsessed with the changes occurring in the Soviet Union and Eastern Europe. The fragmentation that threatens to turn the Soviet Union back into the Duchy of Muscovy; the tide of freedom that is transforming the small nations of Central Europe; and the prospect of German reunification, all simultaneously excite and terrify us. Even South Africa appears to be on the brink of major upheaval. Yet, all these changes represent just the boost the world economy needs.

Let's face it; this expansion is tired. Even the Japanese, the marvels of the modern age, are struggling to sustain their high savings, high investment economic machine. The growth of the smaller nations of Asia has helped, but not enough to counter the drag of third world stagnation. Now comes Eastern Europe and the opening up of backward, industrialized markets, ready to soak up the goods of the United States, Western Europe and Japan. Hungary is a good example. The economy, while in disarray, has market structures in place that will serve as conduits for industrial production. Currently for each 1,000 Hungarians there are 155 telephones and 220 private automobiles. The latent demand suggested by these numbers is merely the tip of the iceberg. Many more goods will find willing consumers in Hungary and markets will open up in Poland, Czechoslovakia, East Germany and even in the Soviet Union.

The other side of the equation works as well. Korea, Taiwan, Singapore and Malaysia grew strong on the basis of cheap labor. The Eastern Bloc countries offer the same advantages, combined with lesser language barriers (although Magyar may be as incomprehensible as Chinese). We will see a surge of investment in these nations, and the resulting employment and income will fuel the market for consumer goods. The kind of sluggish demand that appeared to be slowing the world economic expansion will be reversed by the growth of the awakening states of the Communist world.

And there's another aspect to this. These nations are like Rip Van Winkle. When Rip woke up things had changed, and to him trading a president for a king was a big deal. But consider the technological charges of the past two decades and you'll get a feel for what Eastern Europe is awakening to. To return to the Hungarian case, US West is already setting up a cellular phone network as you read this. Going from no phone to car phone is a leap in time that dazzles the mind. It is thus with a whole range of goods from household appliances to production equipment. We live daily within the cutting edge of technological development. To view this process as before and after, as Eastern Europe will, is truly frightening.

The challenge for the U.S. is how can we get into those markets. In the technological area, we appear poised to seize a significant share of the new markets. In heavy production areas -- automobiles, steel manufactured goods -- we are behind Western Europe, but not hopelessly. In financial services, we have no hope, the Japanese, Germans, British and French have closed us out. In a sense, all those scare stories about how our fiscal profligacy will come home to roost have been validated. To the extent we are too weak to invest in new territory, we are closed out of those markets. It is imperative that over the next three to five years, we as a nation need to find ways to participate in this second stage global expansion.

There is a similar challenge affecting real estate. The switch from typewriter to word processor and from MLS book to computer are the beginning. Already, we are seeing reams of statistical and pictorial information being transmitted across electronic MLS wires. In some areas, computerized loan origination systems are placing Realtors directly into the mortgage process. In the future, the real estate office will become an electronic nerve center touching virtually all aspects of the real estate transaction. The challenge to the industry is to manage this change in a positive manner rather than being overwhelmed by it.

It's like an old Star Trek episode, "In the Wink of An Eye." Kirk is absorbed into the world of incredibly fast moving aliens who (invisible because of their speed) are taking over the Enterprise. Eventually, Spock finds a way to join the Captain, and they save the ship. But where Kirk returns, Spock remains in the faster world to make repairs at super speed. The economic development of the Eastern Bloc and the technological change affecting our industry are occurring at a pace reminiscent of that TV show. Then Spock was a Vulcan. Now, is he German, Japanese, or American?

Outlook for the Economy and Real Estate

THE ECONOMIC OUTLOOK

The U.S. Commerce Department revised its estimate of fourth quarter real GNP growth upwards to 0.9 percent at an annual rate, 0.4 percentage points higher than its preliminary estimate. The force behind the upward revision was stronger than expected net export growth, which led to a steep decline in the December trade deficit. A downward revision in inventory investment partially offset the rise in net exports, but the slower pace of inventory accumulation was greeted as a positive indicator that businesses would not have to cut back on production in the near future. Overall, while the revision was small in size, it was very positive because it implies the economy is a good deal healthier than the original report suggested: a more reasonable balance between demand and production, and a healthier international sector. Indeed, when this report is considered in conjunction with other recent indicators, it suggests the economy has avoided a recession and is poised for slow but steady growth in the year ahead.

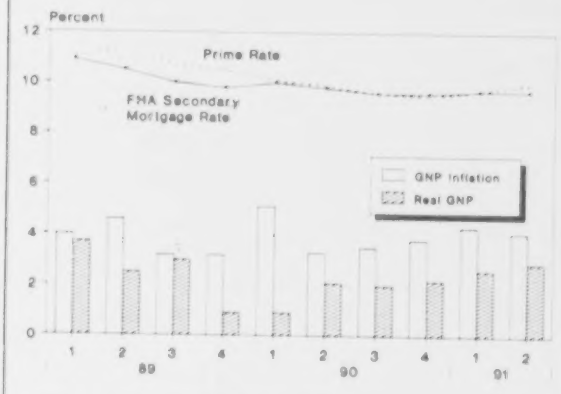
Employment Growth Surpasses Expectations

Chief among these recent indicators is the February employment, which reported that nonfarm establishment employment shot up by 372,000. In addition, the January employment gain was revised upwards to a gain of 332,000. The strength was centered in both manufacturing and construction. Services employment, which had swelled by a massive 351,000 in January, fell back to a gain of 221,000 in February. The gain of 60,000 in construction employment during February was particularly surprising, coming as it did on the heels of a January advance of 104,000. Of course, the mild winter weather is likely the primary reason for this unusual strength, and construction employment gains should drop back somewhat in the March report. The February advance in manufacturing employment broke a string of ten monthly declines. The 90,000 gain was completely due to a rebound in auto industry employment, which surged by 97,000 in February to erase the January drop of the same amount. But therein lies a sobering truth about manufacturing employment: without the rebound in auto jobs, manufacturing employment would have declined for an eleventh straight month.

Manufacturing Sector Is Still Soft

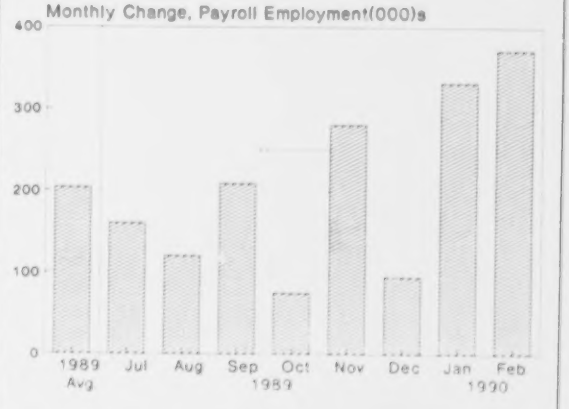
As the employment report suggests, the economy may be in better shape than previously thought, but it is still weak in crucial areas, such as manufacturing. Industrial output, as measured by the index of industrial production, fell 1.1 percent in January after inching up 0.2 percent in December. January's decline was due to a slowdown in auto production, and the warmer weather's dampening effect on utility output, which fell 10.7 percent. Output at the nation's factories, as measured by manufacturing capacity utilization, fell to 81.9 percent, its lowest point since June 1987. Within manufacturing, motor vehicle manufacturers extended their holiday shutdowns to reduce inventories; this lowered their operating rates to near 1982 lows. The operating rate for manufacturing has dropped 3 percentage points during the past year, with most of the decline coming in the last seven months.

GRAPH 1: THE ECONOMIC OUTLOOK



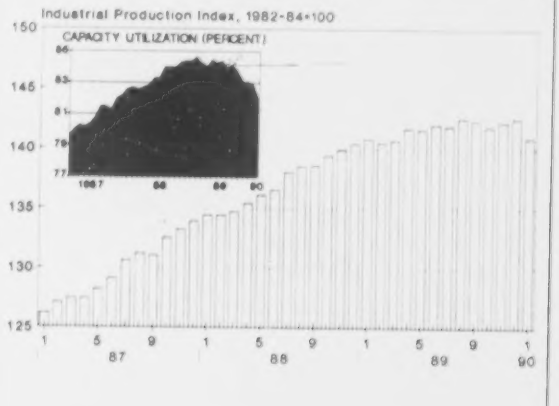
Source: Bureau of Economic Analysis; E NAR estimates

GRAPH 2: PAYROLL EMPLOYMENT SURGES



Source: Bureau of Labor Statistics

GRAPH 3: MANUFACTURING TAKES ITS LUMPS



Source: Bureau of Economic Analysis

Consumer Prices Rise Higher

The consumer price index for all urban consumers surged 1.1 percent in January, powered by increases in food and energy costs, which accounted for over 60 percent of the overall gain. The January increase in the index translates into an annual rate of consumer price inflation of 12.7 percent. The bulk of the food and energy price increases can be attributed to the winter weather: food prices rose in January because of the unusually cold December weather; and prices for fuel oil jumped 26.3 percent, while gasoline prices were up 8.2 percent, after declining in November and December. If the effects of food and energy price changes are netted out, then consumer prices still rose a substantial 0.6 percent. This is the largest monthly gain since January 1984, and amounts to an annual rate of 7.4 percent. On a bit more reassuring note, the 12 month rise in the nonfood, nonenergy component of the consumer price index amounted to only 4.4 percent, slightly below the 4.5 percent average for this statistic during 1989. Perhaps more significant than any of these particular numbers, is an emerging trend of decelerating inflation for goods, and accelerating inflation for services. With the service sector grabbing an ever-increasing share of employment, this will have a much longer lasting effect on the price level than any one winter's surge in food and energy prices.

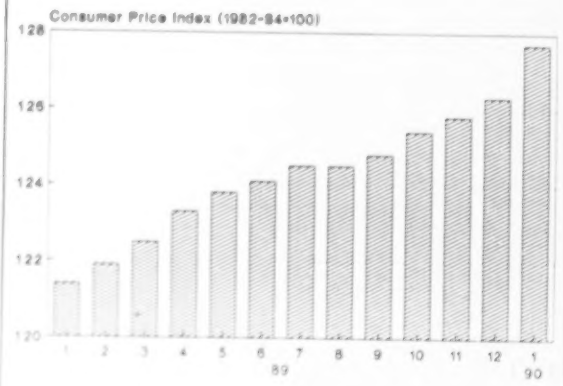
Dollar Strong, Yen Weak

After spending much of the last few years in retreat from its 1985 highs, the dollar has staged a rally in recent months. In fact, it has shown remarkable stubbornness in the face of international central bank intervention efforts aimed at holding down its value in order to restore world trade imbalances. After the employment report was released on Friday, March 9, the dollar hit 151 yen. The strength of the dollar is rather surprising, particularly in light of the small spread between Japanese and U.S. yields (only 150 basis points, down from 400 basis points a year ago). Weakness in the yen is due to the Bank of Japan's refusal to raise interest rates, and the recent turmoil in the Japanese stock market. The dollar is likely to remain firm in the near term, as the positive employment report makes it unlikely that the Federal Reserve will lower interest rates during the next few weeks. Stable U.S. interest rates will maintain foreign interest in the dollar. However, a stronger dollar has the effect of raising the prices of U.S. exports, which makes it difficult for U.S. manufacturers to compete in overseas markets.

Interest Rates Inch Up

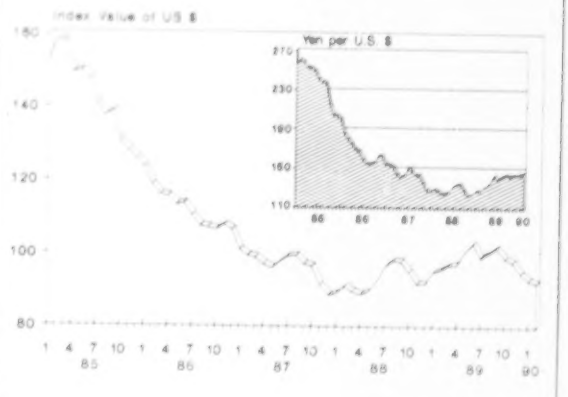
Treasury bill rates and bond yields both crept higher in the week ended March 9. The short-term rates on T-bills moved steadily higher all week. It appears that short-term rates are already reflecting the market's anticipation that the Federal Reserve will continue its tight grip on the money supply. As a sign of the integration of the world's financial markets, U.S. bond yields slipped on Thursday following a small decline in foreign bond yields, but Friday's employment report pumped bond yields back up. The Federal Reserve's task of administering monetary policy in an age of linked financial markets, in the words of Chairman Greenspan is, "more difficult."

GRAPH 4: CONSUMER PRICES RISE



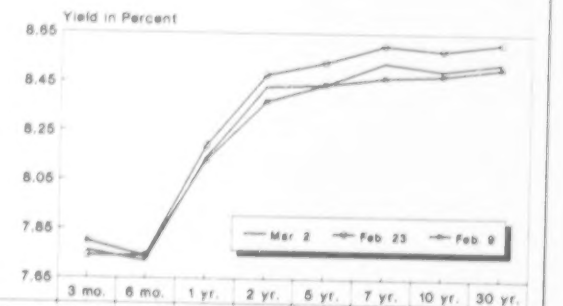
Source: Bureau of Labor Statistics

GRAPH 5: AN END TO A FALLING DOLLAR?



Source: Bureau of Labor Statistics

GRAPH 6: THE YIELD CURVE



	3 mo.	6 mo.	1 yr.	2 yr.	5 yr.	7 yr.	10 yr.	30 yr.
Mar. 2	7.76	7.72	8.14	8.43	8.44	8.53	8.5	8.53
Feb. 23	7.74	7.74	8.19	8.48	8.53	8.6	8.58	8.61
Feb. 9	7.8	7.74	8.13	8.37	8.44	8.47	8.48	8.51

Source: Federal Reserve

HOUSING STARTS

(Seasonally Adjusted Annual Rates, in Thousands)

NATIONAL DATA

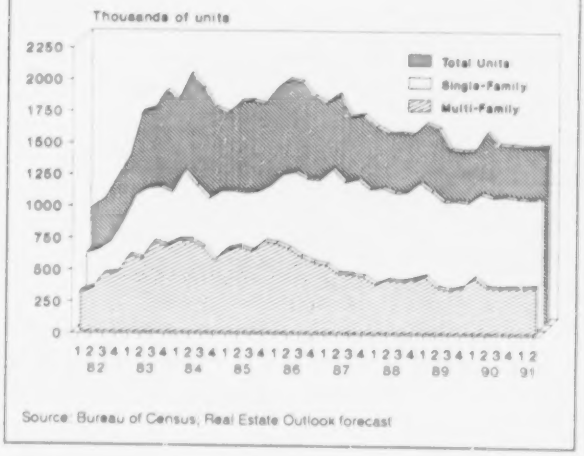
		Total	S-F	2-4	5 and up
Jan	1990	1625	1137	54	434
Dec	1989	1254	911	55	288
Nov	1989	1347	1010	47	290
Oct	1989	1423	1023	60	340
Sep	1989	1264	971	57	236
Jan	1989	1678	1199	66	413
Jan	1990				
Changes From (%):					
Dec	1989	29.6	24.8	-1.8	50.7
Jan	1989	-3.2	-5.2	-18.2	5.1

REGIONAL DATA

		Northeast	Midwest	South	West
Jan	1990	194	388	532	511
Dec	1989	140	272	427	415
Nov	1989	179	296	498	374
Oct	1989	173	285	567	398
Sep	1989	161	248	486	369
Jan	1989	293	313	642	430
Jan	1990				
Changes From (%):					
Dec	1989	38.6	42.6	24.6	23.1
Jan	1989	-33.8	24.0	-17.1	18.8

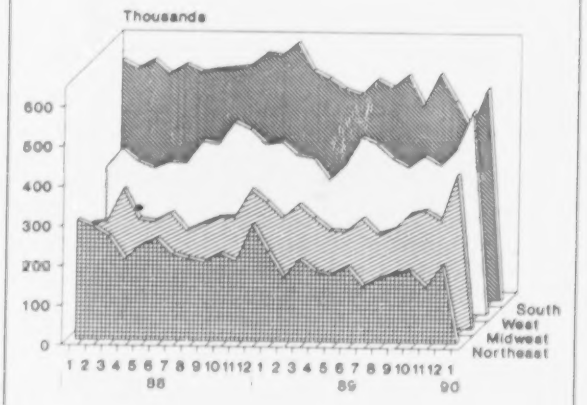
Source: Bureau of the Census; Construction Reports, Series C 20

GRAPH 7: HOUSING STARTS



Source: Bureau of Census; Real Estate Outlook forecast

GRAPH 8: HOUSING STARTS BY REGION



Source: Bureau of Census

Starts of privately owned housing units surged to a seasonally adjusted annual rate of 1.625 million units, nearly 30 percent faster than the December 1989 annual rate of 1.254 million units. January 1990 was the warmest January on record, and it followed the fourth coldest December since December 1985. The January 1990 pace was still 3.2 percent below the January 1989 annual rate of 1.678 million units. Starts of single-family units reached 1.137 million units in January 1990, 24.8 percent faster than the December 1989 annual rate of 911 thousand units, but 5.2 percent slower than the January 1989 annual rate of 1.199 million units. Starts of housing structures with five or more units shot up almost 51 percent to an annual rate of 434 thousand units, and were up 5.1 percent from the January 1989 pace of 413 thousand units. Starts of structures with 2-4 units fell 1.8 percent in January to an annual rate of 54 thousand units, and were down 18.2 percent from their January 1989 annual rate of 66 thousand units.

The gain in total housing starts activity was enjoyed by all major regions. In the Northeast, the rate of January starts increased 38.6 percent above December 1989, but were still 33.8 percent below their January 1989 pace. In the Midwest, starts rose 42.6 percent in January, and were 24 percent above their year ago pace. In the South, starts jumped 24.6 percent in January, but remained 17.1 percent below the January 1989 pace. In the West, starts were up 23.1 percent, and were 18.8 percent above last January.

NEW HOME SALES

(Seasonally Adjusted Annual Rates, in Thousands)

NATIONAL DATA

Jan	1990	589	Jun	1989	647
Dec	1989	634	May	1989	653
Nov	1989	672	Apr	1989	607
Oct	1989	636	Mar	1989	555
Sep	1989	640	Feb	1989	621
Aug	1989	723	Jan	1989	700
Jul	1989	738			

Jan 1990 Changes From:		Annual Totals:	
Dec 1989	-7.1	1988	676
Jan 1989	-16.3	1989	650

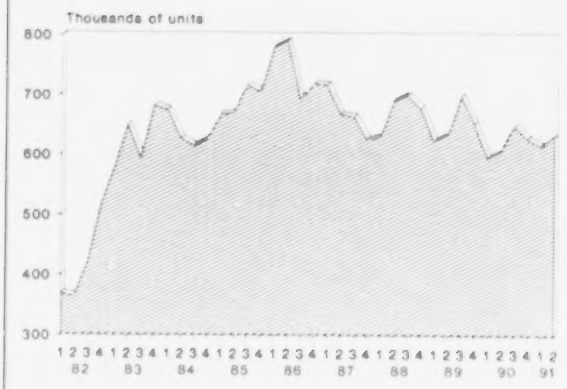
REGIONAL DATA

	Northeast	Midwest	South	West
Jan 1990	109	88	202	190
Dec 1989	96	87	249	202
Nov 1989	97	120	264	211
Oct 1989	88	101	271	176
Sep 1989	62	103	261	214
Aug 1989	90	101	294	239
Jan 1989	115	106	274	209
1989	87	102	260	201
1988	101	97	276	202

Jan 1990 Changes From:				
Dec 1989	13.5	1.1	-18.9	-5.9
Jan 1989	-5.2	-17.0	-26.3	-9.1

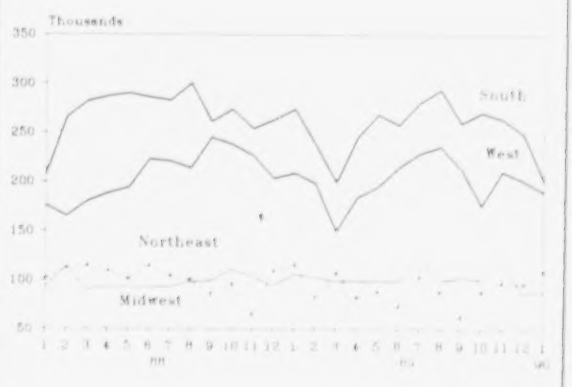
Source: Bureau of the Census; Construction Reports, Series C25

GRAPH 9: NEW HOME SALES



Source: Bureau of Census, Real Estate Outlook forecast

GRAPH 10: NEW HOME SALES BY REGION



Source: Bureau of Census

Sales of new single-family homes slowed to an annual rate of 589 thousand units, a 7.1 percent decline from the December 1989 pace of 634 thousand units, and 16.3 percent below the January 1989 annual rate of 700 thousand units. The unusually warm January weather which contributed to a surge in starts activity will affect new home sales in a similar fashion, but after about a two month lag. However, the new home sales data series is notorious for its wide monthly fluctuations, so it may be hard to precisely identify when the surge in starts actually works its way into the new home sales numbers.

During all of 1989, 650 thousand new single-family homes were sold, a decline of 3.8 percent from the 1988 annual total of 676 thousand units.

By region, the Northeast and Midwest showed some gains from December levels, but all regions were below their year ago levels. In the Northeast, new home sales rose strongly to 109 thousand units, 13.5% above the December pace of 96 thousand units, but 5.2% below the January 1989 pace of 115 thousand units. In the Midwest, new home sales inched up 1.1% to 88 thousand units, but were down 17% from their January 1989 pace of 106 thousand units. In the South, new home sales fell 18.9% to 202 thousand units, and were down 26.3% from their January 1989 pace of 274 thousand units. In the West, sale slipped 5.9 percent to an annual rate of 190 thousand units in January, and were down 9.1 percent from a year ago.

EXISTING SINGLE-FAMILY HOME SALES

(Seasonally Adjusted Annual Rates, in Thousands)

NATIONAL DATA

Jan	1990	3480	Jun	1989	3360
Dec	1989	3560	May	1989	3210
Nov	1989	3590	Apr	1989	3400
Oct	1989	3480	Mar	1989	3400
Sep	1989	3520	Feb	1989	3480
Aug	1989	3480	Jan	1989	3550
Jul	1989	3330			

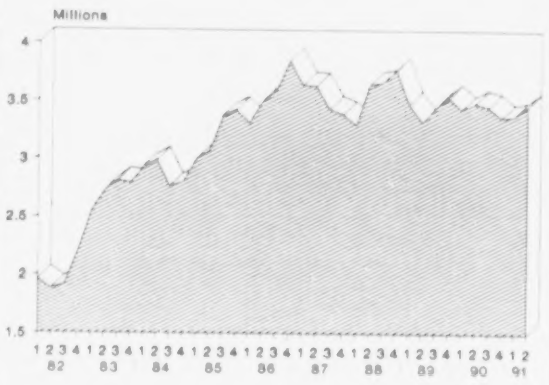
Jan 1990 Changes From (%):		Annual Totals:	
Dec 1989	-2.2	1989	3440
Jan 1989	-4.9	1988	3594

REGIONAL DATA

	Northeast	Midwest	South	West
Jan 1990	560	960	1400	540
Dec 1989	580	980	1390	610
Nov 1989	590	960	1430	640
Oct 1989	580	990	1300	620
Sep 1989	590	990	1340	590
Aug 1989	590	980	1350	550
Jan 1989	680	950	1360	660
1989	589	919	1307	610
1988	673	929	1350	642
Jan 1990 Changes From (%):				
Dec 1989	-3.4	-2.0	0.7	-11.5
Jan 1989	-17.6	1.1	2.9	-18.2

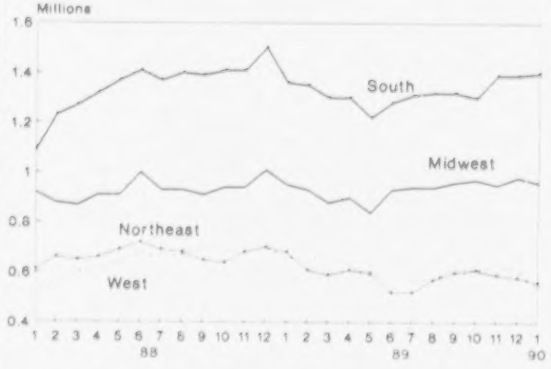
Source: NATIONAL ASSOCIATION OF REALTORS® Economics and Research Division

GRAPH 11: EXISTING HOME SALES



Source: NAR Economics & Research; Real Estate Outlook forecast

GRAPH 12: EXISTING HOME SALES BY REGION



Source: NAR Economics & Research

Sales of existing single-family homes declined to 3.48 million homes in January, 2.2 percent below the December annual rate of 3.56 million units, and 4.9 percent below the January 1989 annual rate of 3.55 million units. In 1989, a total of 3.44 million existing single-family homes were sold, 4.3 percent below the 1988 annual total of 3.594 million homes. The 2.2 percent January decline in existing home sales was likely due to a slight uptick in mortgage interest rates during that typically slow month. The mortgage rate rise combined with a higher January median home price to cause a slight decline in housing affordability. The NAR housing affordability index fell to 104.2 in January, down from 108.2 in December. However, when the index is above 100, it means that a family earning the national median income has 100 percent of the income needed to qualify for conventional financing covering 80 percent of a home priced at the national median price.

By region, the pace of existing home sales fell in the Northeast, West and Midwest. In the South, the annual rate of existing home sales increased 0.7 percent in January, and was 2.9 percent higher than a year ago. In the Northeast, existing home sales slipped 3.4 percent from December and fell 17.6 percent below January 1989. In the Midwest, resales fell 2.0 percent in January, but were 1.1 percent above the January 1989 annual rate. In the West, resales were 11.5 percent below their December annual rate, and 18.2 percent below a year ago.

SINGLE-FAMILY HOME PRICES

(In Dollars)

NATIONAL DATA

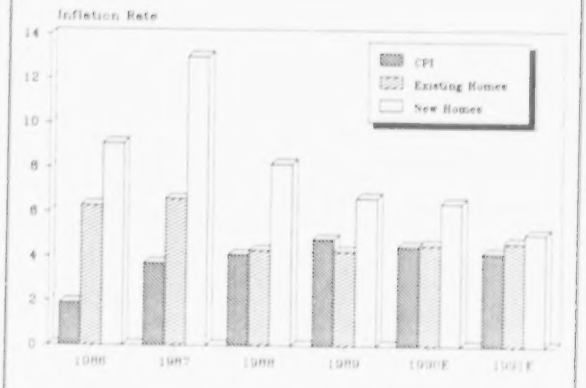
		Median		Average	
		Existing	New	Existing	New
Jan	1990	96,200	127,000	120,100	152,600
Dec	1989	92,500	125,200	118,100	157,200
Nov	1989	93,200	125,000	118,300	151,800
Oct	1989	92,600	123,000	117,200	147,800
Sep	1989	94,300	120,000	118,400	151,100
Jan	1989	89,800	113,000	113,600	138,600
1989		93,100	120,000	118,100	148,800
1988		89,300	112,500	112,800	138,300
Jan	1990				
Changes From (%):					
Dec	1989	4.0	1.4	1.7	-2.9
Jan	1989	7.1	12.4	5.7	10.1

REGIONAL DATA

		Northeast	Midwest	South	West
Jan	1990	147,000	74,600	86,300	144,000
Dec	1989	143,400	72,500	82,700	135,200
Nov	1989	145,700	71,400	82,400	147,100
Oct	1989	143,200	71,600	83,600	142,300
Sep	1989	145,700	72,200	84,400	147,600
Jan	1989	143,800	68,000	82,000	134,600
1989		145,200	71,300	84,500	139,900
1988		143,000	68,400	82,200	124,900
Jan	1990				
Changes From (%):					
Dec	1989	2.5	2.9	4.4	6.5
Jan	1989	2.2	9.7	5.2	7.0

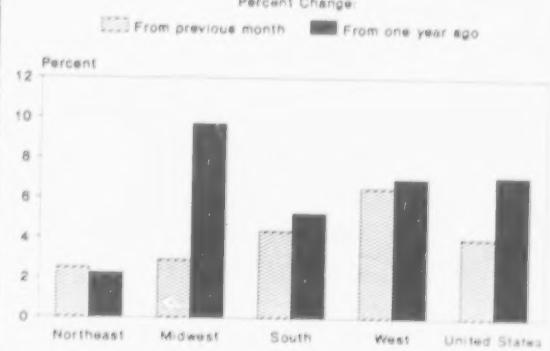
Source: NATIONAL ASSOCIATION OF REALTORS® Economics and Research Division

GRAPH 13: HOME PRICES



Source: Bureau of Census; E Real Estate Outlook forecast

GRAPH 14: HOME PRICES BY REGION



Source: NAR Economics & Research; Real Estate Outlook forecast

The national median price of an existing single-family home was $96,200, an increase of 4.0 percent from the December median price of $92,500. The unusual mid-winter surge in existing home prices brought the January 1990 median price to a full 7.1 percent above the January 1989 median price of $89,800.

By region, the median price rose 2.5 percent in the Northeast to $147,000, and was 2.2 percent above the year ago median price of $143,800. In the Midwest, the median price increased 2.9 percent in January to $74,600, and was 9.7 percent above the year ago median price of $68,000. In the South, the median price rose 4.4 percent in January to $86,300, and was 5.2 percent above the year ago median price of $82,000. In the West, the median price rose 6.5 percent to $144,000, and was 7.0 percent above the year ago median price of $134,500.

The median price of a new single-family home increased a modest 1.4 percent in January to $127,000. However, the January 1990 median price was 12.4 percent above the January 1989 median new home price of $113,000. The average new single-family home price fell 2.9 percent to $152,600, but remained 10.1 percent above the January 1989 average price of $138,600.

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U.S. ECONOMIC OUTLOOK

MARCH 1990

	QUARTERS ACTUAL		QUARTERS FORECAST						YEARS ACTUAL			YEARS FORECAST	
	89.3	89.4	90.1	90.2	90.3	90.4	91.1	91.2	1987	1988	1989	1990	1991
AGGREGATE ECONOMY													
Gross National Product (billions of dollars)	5281	5338	5416	5488	5564	5647	5743	5842	4524	4881	5233	5529	5887
% Change	6.2	4.4	6.0	5.4	5.6	6.1	7.0	7.0	6.9	7.9	7.2	5.6	6.5
% Change (w/out inflation)	3.0	0.9	0.9	2.1	2.0	2.2	2.6	2.9	3.7	4.4	3.0	1.7	2.4
Consumer Price Inflation (CPI)	2.8	4.0	6.8	3.0	3.7	4.3	4.3	4.5	3.7	4.1	4.8	4.5	4.2
GNP Inflation (GNP Deflator)	3.2	3.2	5.1	3.3	3.5	3.8	4.3	4.1	3.1	3.3	4.2	3.9	3.9
Unemployment Rate - Civilian	5.3	5.3	5.3	5.4	5.5	5.5	5.6	5.5	6.2	5.5	5.3	5.4	5.5
Civilian Employment-Household Basis (millions)	117.5	117.8	118.2	118.4	118.7	119.0	119.3	119.7	112.4	115.0	117.3	118.6	119.9
Percent change	0.7	1.0	1.5	0.7	1.0	0.9	1.1	1.4	2.6	2.3	2.0	1.1	1.1
Index of Industrial Production	142.2	142.2	141.9	142.7	143.2	144.0	144.9	146.0	129.8	137.2	141.7	142.9	146.3
Manufacturing Capacity Utilization	84.0	83.0	82.2	82.2	82.3	82.6	82.9	83.4	81.0	83.5	83.9	82.3	83.4
Domestic Auto Sales	7.9	6.2	6.8	6.7	6.7	6.8	6.9	7.0	7.1	7.5	7.1	6.8	7.0
Federal Tax Receipts (NIPA) as % of GNP	19.8	19.8	20.2	20.3	20.4	20.4	20.5	20.5	20.1	19.9	20.0	20.3	20.4
Federal Expenditures (NIPA) as % of GNP	22.5	22.7	22.7	22.6	22.4	22.3	22.4	22.3	23.7	22.9	22.8	22.5	22.2
Deficit(NIPA)	-144.0	-153.0	-138.0	-122.0	-110.0	-105.0	-110.0	-104.0	-161.0	-145.0	-147.0	-118.0	-103.0
as % of GNP	-2.7	-2.9	-2.5	-2.2	-2.0	-1.9	-1.9	-1.8	-3.6	-3.0	-2.8	-2.2	-1.8
REAL ESTATE MARKETS													
HOME SALES													
Total Single-family Home Sales (thousands, single-family resales plus 97 percent of single-family starts)	4408	4489	4454	4476	4452	4348	4361	4449	4645	4646	4418	4432	4455
Percent change -- year ago	-6.0	-7.9	-1.2	4.5	1.0	-3.1	-2.1	-0.6	-1.3	0.0	-4.9	0.3	0.5
Existing Single-family Home Sales (thousands)	3443	3537	3435	3485	3455	3365	3380	3465	3526	3594	3440	3435	3484
Percent change -- year ago	-6.0	-6.2	-3.2	4.3	0.3	-4.9	-1.6	-0.6	-1.1	1.9	-4.3	-0.1	1.4
Housing Starts (thousands)	1337	1341	1492	1388	1384	1373	1373	1381	1630	1491	1384	1409	1367
Percent change -- year ago	-9.1	-13.1	-0.9	2.5	3.5	2.4	-8.0	-0.5	-10.0	-8.6	-7.1	1.8	-3.0
Single-Family Units	995	981	1051	1022	1028	1013	1011	1014	1154	1085	1008	1028	1001
Percent change -- year ago	-6.4	-13.0	-1.2	3.1	3.4	3.3	-3.8	-0.8	-2.4	-5.9	-7.2	2.1	-2.6
Multi-Family Units	342	360	441	365	355	360	362	367	476	405	376	380	365
2-4 Family Units	56	54	66	54	53	54	54	55	65	58	55	57	54
Percent change -- year ago	-4.0	-14.3	12.3	2.8	-4.7	0.1	-18.0	0.6	-22.9	-10.0	-5.4	2.8	-4.0
5 + Family Units	286	306	375	310	302	306	307	312	411	346	321	323	310
Percent change -- year ago	-18.2	-13.2	-1.9	0.5	5.7	0.1	-18.0	0.6	-24.5	-15.7	-7.4	0.8	-4.0
New Single-family Home Sales (thousands)	699	654	597	607	651	629	616	633	673	676	650	621	640
Percent change -- year ago	-0.5	-4.1	-12.7	-4.6	-6.9	-3.8	3.2	4.3	-9.6	0.4	-3.8	-4.5	3.1
HOME PRICES													
Existing Home Prices - Median $(1000)	94.9	92.7	94.8	96.9	99.1	99.6	100.8	102.3	85.6	89.3	93.1	97.6	102.1
Percent change -- year ago	5.2	6.1	3.9	4.2	4.4	7.4	6.3	5.6	6.6	4.3	4.3	4.8	4.6
New Home Prices - Median $(1000)	119.6	124.4	128.9	125.7	128.0	128.4	131.0	130.3	104.5	112.5	120.0	127.8	134.2
Percent change -- year ago	4.1	9.8	9.1	5.7	7.0	3.2	1.6	3.7	13.6	7.7	6.7	6.5	5.0
FINANCIAL MARKETS													
Long-Term Interest Rates													
30-year Fixed Rate Mortgage (FHA Secondary)	10.0	9.8	10.0	9.8	9.6	9.6	9.7	9.7	10.2	10.3	10.3	9.8	9.8
1-year ARM (effective rate)	9.3	8.8	8.6	8.5	8.4	8.4	8.5	8.5	8.5	8.5	9.3	8.5	8.6
Corporate AAA Bond Rate	9.0	8.9	9.1	8.9	8.7	8.7	8.8	8.8	9.4	9.7	9.3	8.9	8.8
Government Bond Rate	8.1	7.9	8.3	8.1	7.8	7.9	8.1	8.3	8.6	9.0	8.4	8.0	8.3
Short-Term Interest Rates													
Federal Funds Rate	9.1	8.6	8.2	8.0	7.8	7.9	8.0	8.1	6.7	7.6	9.2	8.0	8.1
3-month T-Bill Rate	7.8	7.7	7.5	7.4	7.2	7.3	7.4	7.5	5.8	6.7	8.1	7.4	7.5
Prime Rate	10.7	10.5	10.1	9.9	9.6	9.5	9.7	10.0	8.2	9.3	10.9	9.8	10.0
Discount Rate	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	5.7	6.2	6.9	7.0	7.0
Value of the U.S. Dollar (Trade-Weighted Avg.)	100.5	97.3	92.3	91.4	90.8	89.7	89.3	88.5	96.9	92.8	98.5	91.0	88.8
Percent change	0.4	-12.2	-18.8	-4.1	-2.4	-4.7	-1.6	-3.7	-13.6	-4.3	6.2	-7.6	-2.4

Source: Forecast produced using Laurence H. Meyer and Associates' model of the U.S. economy.
Assumptions and simulations by Dr. John Tuccillo, Dr Frederick Flick, and Sean Burns.

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